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C O N F I D E N T I A L SECTION 01 OF 04 MAPUTO 000659

SIPDIS

COMUSNAVEUR FOR LT DOLAN, PLEASE PASS POLAD NAPLES

STATE FOR AF/S AND AF/FO

ACCRA PLEASE PASS TO VIP PARTY

E.O. 12958: DECL: 05/14/2014

TAGS: [PREL](#) [MARR](#) [PTER](#) [KCRM](#) [MZ](#) [EFIS](#) [ACOTA](#)

SUBJECT: SCENESETTER FOR VISIT OF USCOMNAVEUR

REF: USCOMNAVEUR LONDON UK 061924 MAY 04

Classified By: Econ/Pol Officer Chris Jester for reasons 1.4 (b) and (d)

1. (U) Introduction and summary. Your visit comes at a time when the positive bilateral relationship between the U.S. and Mozambique is expanding. Mozambique is the only country in the world that is both a focus country under the President's Emergency Plan for AIDS Relief and one of the sixteen candidates to receive funding under the Millennium Challenge Account. Following the announcement on May 6 that Mozambique was selected, planning has begun for a team to visit from Washington by the end of May to begin discussion on the MCA Compact with Mozambique. Your visit also closely follows the visit April 28-30 of the President's Global Coordination for HIV/AIDS, Ambassador Randall Tobias.

2. (C) Last month the Ministry of Defense agreed to receive peacekeeping training under ACOTA and specifically requested that a contingent scheduled to replace their troops in Burundi be trained by December. The Interior Minister met with the Ambassador and emphasized their willingness to receive assistance in border security, noting the critical situation of Mozambique increasingly serving as a transit country for trafficking in narcotics, people, and other contraband, and conducive environment for international crime and terrorism. We have been working with the Mozambicans to try and build their capacity to receive EDA coastal patrol vessels, but have met with bureaucratic delays, specifically in their lack of progress drafting a model maritime code. End summary.

POLITICAL/ECONOMIC OVERVIEW:
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3. (U) Mozambique is rightly considered a post-conflict success story. Since the signing of the 1992 Peace Accords that ended sixteen years of civil war, Mozambique has made significant progress in promoting economic reforms and consolidating democracy. But Mozambique still faces enormous development challenges. The HIV/AIDS epidemic puts at risk much of the progress gained over the past decade and growing corruption hinders development and further foreign investment. US bilateral relations are strong. US government efforts in Mozambique have focused on good governance, economic development and health. The USG was also the major donor contributing to reconstruction and rehabilitation activities following the catastrophic floods in 2000.

4. (U) In late 2004, Mozambique will hold its third multi-party presidential elections since independence in 1975. The current constitutionally-elected president, Joaquim Chissano, will step down after having served eighteen years, including two elected terms. Chissano and the leadership of FRELIMO dominate policy-making and implementation. Mozambique currently holds the Presidency of the African Union (AU). President Chissano has been actively engaged on broader African issues and has sought to use his AU Presidency both to build stronger African institutions and to find African-led solutions to African problems. In February, Planning and Finance Minister Luisa Diogo replaced Pascoal Mocumbi as Prime Minister (while retaining the finance portfolio). On November 19, 2003, Mozambique held municipal elections which were considered generally free and fair. However, many institutions, such as the judiciary and the police, remain weak. Corruption remains a problem in both the public and private sectors.

5. (U) Mozambique continues to be one of the most dynamic and fastest-growing economies in sub-Saharan Africa, albeit from a low base. Mozambique is one of the world's poorest countries, with per capita GDP of less than \$250. That said, economic growth has averaged 8% over the last 3-4 years and a recent household survey indicates that the incidence of extreme poverty has declined from 70% to 55% over the past five years. Mozambique has significant but so far mostly untapped natural resources, including coal, natural gas, titanium ore, tantalite, graphite, iron ore, and semi-precious stones. One third of the economy is based on agriculture, most of it subsistence, but Mozambique exports cashews, cotton, sugar, sorghum, tea, citrus fruit, and tobacco. Mozambique has privatized over 1200 mostly smaller companies and 37 large enterprises since the privatization program began 10 years ago. Only 11 large state-owned or operated companies remain, including the national airline,

telephone, electricity, insurance, oil and gas exploration, port and rail, airports, water supply, and fuel distribution companies. US-Mozambican trade, although quite small, is expanding, with the vast majority of Mozambique's exports to the US entering under either AGOA or GSP. South Africa and Portugal are the leading foreign investors. In 2003, Mozambique was assigned an international credit rating of B/B by Fitch Ratings, reflecting Mozambique's positive track record on economic reforms, political stability, strong economic growth, openness to FDI, and expanding exports.

¶6. (U) Mozambique faces significant development challenges. The literacy rate is about 40 percent and infant mortality rates are among the highest in Africa. Life expectancy is 46 and is expected to decline into the 30s by 2010 as a result of AIDS. The country also lacks infrastructure, power, and clean water for most of its citizens. The Government has placed its Plan for the Reduction of Absolute Poverty (PARPA) at the head of its policy agenda. PARPA emphasizes six areas as the key reducers of absolute poverty: education; health; basic infrastructure; agriculture and rural development; good governance; and macroeconomic and financial management. The donor community funds approximately 60 percent of the national budget, though the HIPC and Enhanced HIPC (Heavily Indebted Poor Countries) debt relief programs have permitted increased budgetary support to alleviate poverty.

COUNTER TERRORISM ISSUES

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¶7. (U) The GRM has acceded to all twelve UN Counter-Terrorism conventions. The USG has offered to assist the Mozambican MFA in preparations for hosting a 2004 National Counter-Terrorism Conference in Maputo on implementation of UN Counter-Terrorism conventions. We have sent Ministry of Finance and Central Bank of Mozambique officials to USG training provided in Botswana.

¶8. (C) Mozambique has no capacity to patrol its maritime border, with an unprotected coastline twice the length of California. We have sent eight Mozambican naval officers to the International Maritime Officers Course in Norfolk over the past five years. Four groups from DIILS in Newport to provide Mozambican Navy an international law course for MFA, MOD, Interior and Justice Ministries, with goal of establishing maritime patrol capacity (provision of EDA patrol craft and IMET crew training). Mozambique is addressing the need to establish a codified system of maritime law, as we seek to identify equipment and funding available through US programs. DOD also conducted a Maputo airport survey in 2003.

¶9. (C) Officials from Customs, Police, Ministry of interior, Immigration, and Finance Ministry attended a USG Counterterrorism seminar in Gaborone, Botswana. DOJ has provided FBI training for prosecutors at Mozambique's Judicial Training Center including anti-money laundering components. Post will also seek State INL funding for equipment requested by Mozambican customs for container inspection in ports of Maputo, Beira, and Nacala. The Minister of Interior seeks US assistance in tackling problems faced by the GRM in trying to combat trans-border crime and the growing role of Mozambique as a transit country for narcotics, especially cocaine originating in Brazil destined for South Africa.

¶10. (SBU) The Interior Minister would also welcome any assistance to improve GRM capacity to track money laundering. He noted the demographic factor of the large number of Muslim businesses in the northern provinces involved in importing goods for sale in Mozambique and the difficulty his ministry faces in knowing the real names of account holders and merchants bringing goods through customs. He also confirmed reports of large numbers of undocumented Pakistani aliens and the more recent trend of Somali refugees entering or transiting Mozambique.

¶12. (SBU) In February, we hosted a Counterterrorism Action Group (CTAG) meeting with counterparts from Spain, Portugal, Russia, France, Italy, Switzerland, UK, Germany, European Commission, and Ireland (representing EU troika). Participants concurred that improved maritime security for Mozambique's vulnerable coastline was the top priority and agreed to coordinate the efforts of the USG, France, Portugal, and the EC to provide coastal patrol capacity. Other areas of mutual concern discussed include financial oversight, trafficking of drugs and people, money laundering, and corruption. CTAG participants indicated few direct programs; however, nearly all indicated programs to build government capacity in areas directly related to CT capabilities.

BUILDING COASTAL PATROL CAPACITY

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¶13. (C) The French see the coast as the key to counterterrorism efforts and are also addressing this specific vulnerability. They will provide two small patrol

boats to the GRM in 2004, which are currently being refitted in Simonstown by the South African Navy. They plan joint naval exercises for later this year and had two GRM Navy personnel on their frigate during a January 2004 port visit to Maputo. Portugal is working with the GRM on developing the necessary maritime code, a prerequisite for our EDA request. They are optimistic that they have more success that we have seen after four DIILS visits. The British provide training in bank auditing and financial systems and are conducting a large project with Mozambican Customs implemented by Crown Agents. However, British concerns regarding counterterrorism have their focus on Kenya, Tanzania, and South Africa.

¶14. (C) The European Commission provided some customs training to the GRM, but has focused on assisting GRM public sector reform, judicial reform, and increased budget accountability. They provide direct financial support to the Ministry of fisheries for monitoring the coastline (including funding surveillance flight hours). They have funded the chartering of a vessel from the South African Fisheries Ministry, through SADC's Monitoring, Control, and Surveillance of Fisheries program (MCS). In April, two illegal Chinese fishing vessels were seized. The European Union provide approximately two million euros annually for assistance related to fisheries. Included in the program is technical support for development of a maritime code. Portugal, the driving force behind CPLP joint military exercises, emphasizes training for PKOs and staff command and control. They provide support to the GRM Military Academy in Nampula and are also assisting with development of the maritime code.

¶15. The group recognized the need to coordinate our efforts to get the GRM to adopt a model maritime code and prepare themselves to utilize coastal patrol boats. All participants agreed that weak land borders, ineffective and corrupt police and judicial officials, absent coastal patrol capacity, and poor coordination between GRM entities all contribute to an environment conducive to organized crime and terrorists. Post and many other donors are focused on corruption and transparency issues, especially considering their linkage to transnational crime, alien smuggling, money laundering, and possible terrorist financing. The EC and others also express concern regarding weak security in ports and along the coast contributing to illegal fishing and export of precious hardwood timbers, both with severe environmental repercussions.

HIV/AIDS:
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¶16. (U) Mozambique is at a critical stage in its efforts to stem the HIV/AIDS epidemic. In Southern Africa, Mozambique presents both the greatest challenges and possibly the greatest opportunity to become the next Uganda-like success in turning around the HIV/AIDS threat. The Mozambican Government (GRM) has been outspoken in the battle against HIV/AIDS and is a cooperative partner in our HIV/AIDS efforts. The USG has been a leading player in international HIV/AIDS efforts in Mozambique, working closely with our implementing partners, other donors, the Ministry of Health (MOH) and the National AIDS Council (NAC). Mozambique's overall HIV/AIDS prevalence rate is 14.9%, though prevalence rates vary greatly by region, with the highest rates occurring in the principal transportation corridors. The political environment in Mozambique is very favorable to accelerating ARV treatment throughout the country, though Mozambique's significant development challenges are a constraint for rapid scale-up of treatment activities. In addition to the Emergency Plan, funding has been committed through the Global Fund, the World Bank MAP and the Clinton Foundation (via several European donors) to strengthen the MOH and its services to expand ARVs.

LA LIME